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# HOW LONDON LOSES BY MUNICIPAL OWNERSHIP.

BY ERNEST E. WILLIAMS.

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FIFTEEN years ago (and a year or two more) some young men were travelling sedulously around London—to Radical Clubs, to Nonconformist Debating Societies, to Trade-Union gatherings, to the parks on Sunday afternoons; they were not particular, so long as they could get an audience—preaching the gospel of Socialism. They were well-educated young men, for the most part, pure from venal influences and unmistakably in earnest. They called themselves “Fabians”; Mr. John Morley called them “dreamers of dreams”; Social Democrats derided them as “milk-and-water Socialists,” and sometimes, as a facetious synonym, “gas and water Socialists.” That was because these dreamers were really practical and wide-awake persons, with the middle-class man’s dislike for high-sounding theories and gory revolution, and the Englishman’s attachment to parochialism.

They dreamed and preached to a purpose. They interpreted Socialism, not much in terms of cosmopolitan revolt, but in the narrower terms of municipalism. The private ownership of the means of production is wrong, said these young men in common with Collectivists the world over. But, they added, get rid of this private ownership by the most practical means to your hand; make your municipality buy the gas and the water, the tramways and the docks; let it invade the province of trade and start municipal coal depots and municipal bakeries; and let it run these institutions for the benefit of the community. There will be better wages and shorter hours of labor for the workers engaged in them; the cost of commodities to the public will be lowered, and the remaining profits, they explained, instead of going into the pockets of “divvy-hunters,” could be returned to the com-

munity in the form of beautiful open spaces, old-age pensions, or any other instalment of the millennium which might please the communal fancy.

The democratic public of London listened delightedly. It was not interested in the cost of these experiments, for most of them did not, directly, contribute to the local taxes; besides, these municipal undertakings were to pay their way handsomely, and, in spite of higher wages and lower prices, be more profitable than when subjected to the wasteful influences of private competition. The democratic public looked with unconcern upon the prospective crushing out of profit-making enterprises; for but few of them were capitalists. It hailed the prospect of free libraries and other luxuries, of free food for the school children, of living in good and cheap houses owned by the municipality; the working-men saw visions of indefinitely increased wages and diminished hours of toil and the unquestioned sovereignty of the Trade-Union.

Into this fertile soil a Conservative Government, unwitting of the consequences (that is characteristic of Conservative Governments), had planted a thing called the "County Council"—a body endowed with large and elastic powers of local administration over that great wilderness of streets which is now the County of London. The Council was set up in 1889; in March, 1892, it went to the polls for reelection. An astonishing electoral result followed. The Progressive Party—for so the democratic contestants were called—swept London; and the more advanced, in a municipalizing direction, the candidate's programme was, the bigger was his majority. The policy of Fabians, out of which the Fabian Society had made its motto, that "for the right moment you must wait, and wait most patiently, but when the right moment comes you must strike, and strike hard," was recalled in exultation. The overwhelming Progressive majority met at the Council's offices at Spring Gardens in a state bordering on delirious ecstasy. It soon turned its enthusiasm into the work of realizing its programme. With a superabundance of youthful energy it broke out forthwith, through committee and subcommittee, in a multitude of directions towards the realization of the advanced municipal programme.

The Council, as it was then and has for the most part been since constituted, has, to quote from one of its critics, a very simple creed and a definite policy, both of which may be summed

up in the motto, "Never miss a chance to boss somebody." But that sort of simplicity has, obviously, endless ramifications in practice, and to deal with all the ramifications of County Council activity would need more space than is at my disposal here. We must leave aside its intolerant interference with a hundred things which it was never in the contemplation of the Parliament which established the County Council that it should concern itself with; we will confine ourselves to what is more particularly our subject—illustrations of the Council's efforts in municipal ownership.

But just a word or two, first, to give the reader a notion of the expensiveness of the new municipalism. The central body which has control of London's affairs before the County Council was brought into existence was called the "Metropolitan Board of Works." In 1888, the last year of the labors of this body, its expenditure upon "establishment"—that is, salaries, office expenses, pensions and so on—was under £40,000; and the Board of Works was commonly denounced as an extravagant institution. In the year ended March last, the London County Council spent upon establishment close upon £285,000. The expenses for inquiries, and so forth, of the Council's various committees amounted last year to £109,000; the old Board of Works got through that department of its activities for less than £5,000 a year. Then, with regard to the various services of an administrative kind which the Council performs—sewerage, fire brigade, etc.—the expenditure upon like services by the old authority was £354,000 a year; the new authority last year spent £760,000, in addition to £156,000 upon services which have been added to the Council's functions since the old Board of Works days. The debt has more than doubled. It was seventeen millions, sterling, in 1886; it had risen to thirty-six millions sterling in 1906. London has grown in the past sixteen years, but not at that pace.

Now as to the Council's trading enterprises. The most important of them at present is the tramway service. Until the London County Council got to work, such tramways as London possessed were in the hands of private companies, which worked under charters obtained from the Legislature. But in these charters, or Acts of Parliament, power to purchase the undertakings was given to the local authority, and the County Council, as the local authority, lost no time in setting about the purchase. The purchases have had to be made in pieces, a length here and a

length there, in different years; according to the latest available report of the Council about ninety-eight miles of tramways had been bought up to March, 1905, and further purchases were in contemplation. The purchase-money of these ninety-eight miles amounted to over two millions, sterling, but another million may be added for other expenditure incurred in connection with the tramways. But these acquisitions of lines hitherto under private enterprise have gone only a small way towards slaking the ambitions of the Council. That body is now building or projecting tramways in every direction throughout its area; to choke out such private enterprise as existed was merely a preliminary clearing of the ground. The only bar to the Council's traction aspirations is to be found in the county boundary. It cannot travel beyond that boundary; but it is showing its unsatisfied yearnings by building or projecting new lines right up to the boundary.

The statement that the boundary is the only bar should, however, be qualified. There are one or two other obstacles. The law is one. Some little while ago, the Council started an omnibus service, in competition with the privately owned omnibuses. The owners of the latter took the Council into the Courts, and there it was explained to the enthusiastic municipalizers that, when Parliament gave them authority to run tramways, it meant tramways and not omnibuses. So the horses and vehicles had to be sold—of course at a loss to the ratepayers.

The Council has experienced another check to its tramway ambitions, which is worth noting because it explains an important item in London County Council finance. In addition to the County Council, London has a number of Borough Councils—bodies which control the more particularly local affairs of the twenty-eight districts into which the metropolis is divided. When the County Council is about the starting of a new tramway, it induces the Borough Council to pay a third of the cost, on the ground of improving the Borough Council's road over which the tramway will run. A company putting down a tramway could not get a Borough Council to pay a third of the cost; yet this mightily convenient arrangement does exist to enable the amateurs of the County Council to show a profit on their undertaking.

And they have become so enamored of this simple expedient for showing a small capital cost, and consequently enlarged profits, that they have pursued it still further. They not only get rid of

a third of the cost of a tramway by transferring it to the Borough Council, but they get rid of another third by charging it to Street Improvements, the Tramway Department itself thus paying only one-third of the cost of its undertakings. It is easy enough under this arrangement to delude the citizens into the belief that the County Council is spending its money wisely and well, making a splendid success of the municipal trading business!

The wonder is, rather, that the County Council cannot show better profits; for, in addition to the above-named curious financial method, it affects another dodge of bad finance, but one common to municipal trading; it does not allow adequate sums, in its annual accounts, for depreciation of plant. The depreciation is about £35,000 a year upon lines capitalized at £2,670,000—equivalent to less than  $1\frac{1}{2}$  per cent., which any one can see is an absurdly inadequate allowance for the depreciation of tramway plant. Further, having the security of London at its back, the Council has been able to borrow the money for its tramways at rates which private undertakings can only regard, with envy, afar off—something under, or about, 3 per cent. Even so, the profits are tiny. For the year ended March of last year they amounted to £7,084, after allowing the above-mentioned ridiculously small sum for depreciation. The year before there was a deficit, and so there would have been last year but for the rental received in respect to some of the tramways which the Council has bought, but has leased to the selling company instead of working them itself. Doubtless, the Council will make a better showing in future years, and that is not saying much; it could hardly avoid doing so; but the fact remains that the municipal ownership of London's tramways is a most expensive failure. The failure is partly the result of mismanagement, such as the adoption of the conduit system in unsuitable places, partly the arithmetical effect of reducing fares to a non-paying basis and raising wages and decreasing hours of labor, with the same disregard of the balance-sheet. The mismanagement is the result of putting an industry under the control of men who know nothing about it; the low fares were a bribe to the democratic voters; the increased wages and reduced hours of work are sufficiently accounted for by the open cringing of the Council to the trade-unions, though an equally good explanation may be found in the growing thousands of the Council's employees, who are voters as well as servants. The explanations

are various; the main fact is simple; the municipal ownership of London's tramways is a costly failure.

The tramways have occupied so much space that there is little room left for the other socialistic instalments of the millennium in London. But a paragraph must be spared for the Thames steamboat service. For one reason or another, climatic mainly, steamboats on the Thames have not been a success even under private management. It was thus extremely unlikely that they would prove aught but a dire failure in municipal hands. This consideration did not deter the London County Council municipalizers, under the enthusiastic leadership of Mr. John Burns, from engaging in the attempt. At first, Parliament refused them a charter, but eventually, succumbing to a powerfully worked agitation, the Council was given its franchise, and the public its opportunity of travelling up and down the river in municipal steamboats. The service began in June of last year, and was chiefly remarkable at first for the incompetence with which it was handled. The record in the Council's minutes of many subsequent dismissals confirms the public observation of this aspect of municipal service, and gives color to the report that the insurance companies had refused to continue to insure the boats save at higher rates. Naturally, however, as time has gone on, improvements have been effected on the technical side, but with regard to the financial side of the venture the experiment has been indeed a disastrous one. At the inception of the scheme, the chairman of the Rivers Committee of the Council estimated the annual expenditure at £98,960; as to the receipts, he went into the most extraordinary comparisons with railway and omnibus traffic, yet out of these calculations, inapplicable for comparison though they were, he evolved the remarkable result that the receipts would also just come to £98,960. Alas for the gentleman's statistics! The receipts, as the weather cooled off with the approach of autumn, went tumbling down, until, by the end of November, they had got down to £100 per week. There was an angry agitation for the stoppage of the service during the winter; but, with obdurate pigheadedness, the Council refused to do more than curtail the service, leaving to Londoners the deplorable spectacle of absolutely empty boats following one another under the river's bridges. The Council's own estimate made last December was to the effect that, during the winter, it would be spending over

£13 for every £1 received. Truly, as the Chairman of the Rivers Committee had said, but with a different meaning, the municipal steamboat service was "fraught with startling possibilities."

A word now as to the Council's notorious "Works Department"—by which is meant a branch of the Council's service which performs labor direct, instead of through an outside contractor. Such a department is important in the eyes of Socialists as a step along the road to the abolition of private employment. To the County Council "boss," it is useful as a means of patronage and vote-securing. To the ratepaying public, the attraction held out was that money would be saved which would otherwise go into the pockets of wicked contractors. Up to the autumn of 1902, the Council admitted a loss on its Works Department of £71,505. It has since showed a profit of some thousands, reducing this loss, but the figures are not material because there is every reason to think that the Council's figures are "faked." Such profit balances as have been presented lately represent simply the difference between the estimate of the Council's architect of what the work should cost and what it actually does cost; and proof has been given that the estimates often grossly exceed a fair allowance. Thus it has been shown that, while a Government office pays to contractors £19 2s. per rod of brickwork, the Works Department of the County Council allows £28 per rod for a cheaper kind of work. We need not trouble ourselves, therefore, about profits estimated in this fashion. When it has suited its convenience, however,—that is, when it was trying to get work which had to be put out to open contract—the Department has managed to reduce its estimate below the lowest contractor's tender. It did this once in the case of an asylum which the Council wanted. The lowest contractor's tender was £296,575; the Works Department got the contract away from him by undertaking to do the work for £284,445; the actual expenditure by the Department was £330,500. Any one in danger of being captivated by municipalism should study those figures. Here is another little example. The Works Department set out to lay a sewer at an estimated cost of £47,683. The actual cost was higher by £16,714—equal to 33 per cent.—and the cause of the increase was malingering on the part of the workmen. They were working for a popular body, their own delegated servants. This particular job, however, was too much even for the Council. All the men engaged in the



work were discharged. But the object-lesson remains. So does the inherent badness of the system. It was publicly alleged four or five years ago that, whereas the average number of bricks laid by a bricklayer is 1,000 a day (some lay a good many more), the bricklayers employed by the Works Department of the London County Council lay at the most only 330 a day. The Finance Committee of the County Council was forced to institute an investigation into this charge. Its report so nearly amounted to a confession that the charge was true that one of the Council's own champions in the press admitted as much.

The County Council has not been deterred from its pursuit of Collectivism by the unfortunate results which have attended its experiments up to date. It proposes now to supply electric power to the whole of London, and last year it fought, viciously and successfully, the attempt of a company to get a charter for the supply of cheap electric power to the metropolis; for the County Council wants a monopoly. It brought forward its own scheme this year (which has been denounced in the Council Chamber as a "mad one"), but Parliament has arrested it, so no further discussion of it is necessary here. One more case of municipal ownership in London may be cited as a concluding illustration. The Council has recently taken to the manufacture of bricks. A gentleman who is himself one of the Progressive members of the Council has described the Council's brick-field as an unfortunate experiment, and has declared that, in the majority of cases, the bricks are unfit for use in the building of houses. The clay is difficult, the situation of the brick-field very wet, and therefore bad for the bricks. Yet the Council, which is rightly the enemy of the "jerry builder," has sold these bricks for the erection of cottages. The mania of the Council for undertaking trading enterprises is insatiable; it grows by what it feeds on. And it is all part of the Collectivist policy inaugurated with the triumph of Municipal Socialism thirteen years ago. The Council aims at being the universal employer, intrudes into every possible domain of industry, crushes out private enterprise, and relentlessly pursues it to destruction, whenever it can. Meanwhile, an enormous and increasing debt is being laid upon London, the opportunities of private enterprise are curtailed, and the local taxes go up and up every year in order to pay for the municipalizers' costly fads.

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